

TARIFF ACTION MEMO

Date: May 4, 2023

Date Filed: March 31, 2023

Statutory End Date: May 15, 2023

File No: TA548-18

Name of Utility: Matanuska Electric Association, Inc.

Subject: Implementation of the Electric Reliability Organization Charge

Recommendation

Staff recommends the Commission approve Tariff Sheet Nos. 92.4 and 92.5, filed March 31, 2023, by Matanuska Electric Association, Inc. with TA548-18, as shown on the attached side-by-side tariff sheets (CKL-1). The effective date of the tariff sheets should be April 1, 2023.

Please see attached Staff Memorandum supporting the above recommendation.

Signed: Claire Knudsen-Latta Title: Communications Common Carrier Specialist
Claire Knudsen-Latta

Commission decision regarding this recommendation:

	<u>Date (if different from 5/4/2023)</u>	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Kurber		<u>KKL</u>		
Doyle		<u>BD</u> BD		
Pickett		<u>RMP</u> BP		
Sullivan		<u>RMP</u> BP for DS		
Wilson		<u>JWW</u> JWW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Keith Kurber II, Chairman
Robert A. Doyle
Robert M. Pickett
Daniel A. Sullivan
Janis W. Wilson

Date: May 4, 2023

From: Claire Knudsen-Latta, Communications Common Carrier Specialist

Subject: Implementation of the Electric Reliability Organization Charge

Recommendation

Staff recommends the Commission approve Tariff Sheet Nos. 92.4 and 94.5, filed March 31, 2023, by Matanuska Electric Association, Inc. (MEA) with TA548-18, as shown on the attached side-by-side tariff sheets (CKL-1). The effective date of the tariff sheets should be May 1, 2023.

Filing

With TA548-18, MEA is proposing to add a new monthly Electric Reliability Organization (ERO) Charge to recover its portion of the \$250,000 ERO surcharge. The ERO surcharge was previously approved on an interim basis by the Commission with Order No. E-22-002(2)/E-23-001(5) and functions to recover the cost of running the ERO from its constituent load serving entities (LSEs).¹ Once the Commission has approved the ERO's surcharge and initial budget, 3 AAC 46.420(e) - (f) permit LSEs to implement a separate retail customer charge to collect the LSE's portion of the surcharge without prior commission approval.² With TA548-18, MEA proposes an initial ERO Charge of \$0.00071/kWh.

¹ See Order No. E-22-002(2)/E-23-001(5), *Order Granting Petitions to Intervene in Docket E-22-002, Accepting Partial Stipulation, Consolidating Dockets, Addressing Statutory Timeline for Docket E-23-001, Adopting Procedural Schedule, Vacating Previous Procedural Schedule, Approving 2023 Budget on an Interim Basis, Approving Inception Surcharge on an Interim Basis, Granting Request for Waiver, Approving Tariff Sheets, and Extending Tariff Suspension Period*, issued March 1, 2023, at page 17.

² See 3 AAC 46.420(e) - (f):

(e) If a load-serving entity is located within an interconnected bulk-electric system served by an electric reliability organization, and is subject to an electric reliability organization surcharge, the load-serving entity may implement a separate charge on its bills to retail customers to collect the commission-approved electric reliability organization surcharge it is assessed, after the electric reliability organization has been certificated and the commission has approved its initial budget.

(f) A load-serving entity may implement a charge in accordance with (e) of this section, without prior commission approval, after the commission has approved the electric reliability organization's surcharge. Not later than 15 days after implementing a charge under (e) of this section, a regulated utility shall submit a tariff filing under the procedures set out in 3 AAC 48.220 and 3 AAC 48.270.

In addition to the per kWh charge, MEA proposes rules governing the applicability of and method of revisions to the charge. Finally, MEA proposes to add an ERO Charge balancing account to mitigate potential under- or over-collection of the charge by adjusting future ERO Charges up or down to reflect the under- or over-collection.³

Staff sent a series of questions to MEA on April 11, 2023. Responses were received April 14, 2023.⁴ A second question set was sent on April 26, 2023, to which MEA responded on April 27, 2023.⁵

Notice

The Commission issued a public notice for TA548-18 on April 4, 2023, with comments requested by April 28, 2023. No comments were received.

Analysis/Discussion

ERO Charge

The language proposed with TA548-18 provides guidance on the applicability of the ERO Charge, a definition of the charge, the method of calculating the ERO Charge Balancing Account, and method of revising the ERO Charge.

As proposed, MEA's ERO Charge will apply to "all filed rate schedules" in the MEA tariff,⁶ mirroring the applicability provided in MEA's existing Cost of Power Adjustment (COPA) description.⁷ The proposed language continues with a basic description of what the ERO is and the underlying statutory requirement for MEA's participation in it.

MEA further proposes to implement a balancing account to prevent long-term over- or under-recovery. The proposed account consists of three entries, "(1) a debit entry equal to the total of all ERO costs of the relevant month; (2) a credit entry equal to the ERO charges billed to consumers during the relevant month; and (3) debit or credit entries for any accounting adjustments, including accruals reversals for entries described in (1) and (2)... for the relevant month."⁸ Staff asked MEA about the lack of a triggering mechanism

³ See Matanuska Electric Association - General Rate Revision (Electric Reliability Organization Charge) (ERO Charge Filing), TR2301366, filed March 31, 2023, at page 4.

⁴ See Matanuska Electric Association (Tariff-Supplemental re: Initial Questions), TR2301602, filed by MEA in TA548-18 on April 14, 2023.

⁵ See Matanuska Electric Association, Inc. (Tariff Supplement re: Response to Staff Questions), TR2301820, filed by MEA in TA548-18 on April 27, 2023.

⁶ See Proposed Tariff Sheet 92.4, filed with the ERO Charge Filing, on March 31, 2023.

⁷ See MEA Tariff Sheet No. 92, effective May 1, 2015.

⁸ See Proposed Tariff Sheet 92.4, filed with the ERO Charge Filing, on March 31, 2023.

similar to the triggering mechanism employed in COPA balancing accounts.⁹ MEA responded that:

[an] ERO balancing account threshold “cap” wasn’t contemplated primarily because the regulations do not contemplate any such cap to be in place for the [Railbelt Reliability Council (RRC)] in its balancing account, and it doesn’t make much economic sense to impose a cap for MEA’s fractional share of such RRC costs and devote resources toward monitoring such a cap for MEA’s ERO balancing account.¹⁰

Finally, MEA proposes language outlining the method for revising the ERO Charge. As proposed, MEA will file a tariff filing reflecting a revision to the ERO Charge within fifteen days of implementing it. Such filings will be made at least annually in keeping with the ERO Surcharge revision filed by the RRC, but may be made more frequently if “necessary, to adequately recover the ERO costs imposed on it.”¹¹ MEA also includes language providing that “revisions that are implemented prior to Commission approval shall be subject to subsequent review and adjustment by the Commission.”¹²

Staff concurs with MEA’s assertion that the regulations do not require a triggering mechanism and believes that the provision permitting MEA to update the ERO Charge outside of the annual update to the ERO Surcharge will help alleviate any error in collection. Staff believes the language on Tariff Sheet No. 92.4 is consistent with the Commission’s regulations as well as with language in similar sections of MEA’s tariff. Therefore, Staff recommends the Commission approve the ERO Charge methodology.

Amount of the ERO Charge

As proposed, the calculation of the ERO Charge is similar to that of a COPA, consisting of projected costs, projected sales, and a balancing account. Specifically, MEA proposes the following:

$$\frac{(\text{Projected MEA Share of RRC Operating Costs} + \text{Other Projected RRC Related Costs}) + \text{BAB}}{\text{Projected Retail Sales (kWh)}}$$

Staff asked about the “Other Projected RRC-related Costs”, MEA responded that the “line item in the ERO Charge methodology for ‘Other Projected RRC-Related Costs’ was largely driven by the relatively vague and undefined requirement of AS 42.05.762(1)(B),

⁹ See 3 AAC 52.504(f), which provides “Within 45 days after the last day of any month in which the absolute value of the cost-of-power balancing account balance exceeds 10 percent of the electric utility’s annual fuel and purchased power costs, the electric utility shall submit a COPA tariff filing.”

¹⁰ See Matanuska Electric Association (Tariff-Supplemental re: Initial Questions), TR2301602, filed by MEA in TA548-18 on April 14, 2023.

¹¹ See Proposed Tariff Sheet 92.4, filed with the ERO Charge Filing, on March 31, 2023.

¹² See *ibid*.

which requires the RRC to equitably allocate reasonable “dues, fees, and *other charges*.” Further, MEA stated that:

[a]lthough the RRC’s surcharges are the most likely costs to run through the ERO Charge Balancing Account- at least for the foreseeable future, given that the statute and the regulations contemplate dues, fees, and other charges being imposed, it seemed to make the most sense that MEA’s ERO Charge methodology be flexible enough to incorporate additional other charges in the event that other charges end up being assessed to MEA at some point down the road.¹³

Staff reviewed the calculation provided on Tariff Sheet No. 92.5 and notes that it reflects the methodology described on Tariff Sheet No. 92.4. Staff also finds the projected MEA Share of RRC Operating Costs reflects the amount provided in the Stipulation approved with Order No. E-22-002(2)/E-23-001(5).¹⁴ Staff asked MEA about its projected retail sales, to which MEA responded:

The 2023 sales projections in TA548-18 are based on MEA’s 2023 Operating Budget... Actual kWh sales figures will differ from projections for many reasons, with weather being a primary determinant. For example, a major difference in why the 2022 actual sales are higher than budgeted 2023 sales, was that both first and fourth quarters of 2022 were much colder than expected. However, so far, our year-to-date 2023 recorded sales are tracking quite closely with 2023 budgeted sales.¹⁵

Staff confirmed the calculation equaled the same final per kWh charge.¹⁶ Staff believes that the inclusion of the “Other Projected RRC-Related Costs” line is compatible with the regulations and is a reasonable response to the vagueness of the governing statute. Therefore, Staff recommends approving the ERO Charge amount calculation.

Effective Date of the ERO Charge

As noted previously, once the Commission has approved the ERO’s surcharge and initial budget, 3 AAC 46.420(e) - (f) permit LSEs to implement a separate retail customer charge to collect the LSE’s portion of the surcharge without prior commission approval. Staff questioned whether this would permit the entirety of the filing to take effect April 1, 2023,

¹³ See Matanuska Electric Association, Inc. (Tariff Supplement re: Response to Staff Questions), TR2301820, filed by MEA in TA548-18 on April 27, 2023.

¹⁴ See Order No. E-22-002(2)/E-23-001(5), *Order Granting Petitions to Intervene in Docket E-22-002, Accepting Partial Stipulation, Consolidating Dockets, Addressing Statutory Timeline for Docket E-23-001, Adopting Procedural Schedule, Vacating Previous Procedural Schedule, Approving 2023 Budget on an Interim Basis, Approving Inception Surcharge on an Interim Basis, Granting Request for Waiver, Approving Tariff Sheets, and Extending Tariff Suspension Period*, issued March 1, 2023, at Appendix A, page 17. Please note, the amount shown on proposed Tariff Sheet No. 92.5 has been rounded up to the nearest ones place.

¹⁵ See Matanuska Electric Association (Tariff-Supplemental re: Initial Questions), TR2301602, filed by MEA in TA548-18 on April 14, 2023.

¹⁶ $\$388,083 / 544,740,000 = \0.00071241876 , which rounds to $\$0.00071$.

or only ERO Charge itself. Staff believes, however, that the language of the regulation, “A load-serving entity may implement a charge in accordance with (e) of this section, without prior commission approval, after the commission has approved the electric reliability organization's surcharge,” permits the full implementation of the ERO Charge and all its accoutrements.

Therefore, Staff believes that MEA’s proposed effective date of April 1, 2023, for the filing, is appropriate.

Tariff Sheets

With TA548-18, MEA submitted Tariff Sheet Nos. 92.4 and 92.5. Staff reviewed the tariff sheets and believes that they are correct.

Conclusion

With TA548-18, MEA requests approval of its proposed implementation of a charge to recover the ERO surcharge. Based on the discussion above, Staff recommends the Commission approve Tariff Sheet Nos. 92.4 and 92.5, filed March 31, 2023, by MEA with TA548-18. The effective date of the tariff sheets should be April 1, 2023.

Signature: Keith Kurber II
Keith Kurber II (May 4, 2023 09:26 AKDT)

Email: keith.kurber@alaska.gov

Signature: Bob Doyle
Bob Doyle (May 4, 2023 09:35 AKDT)

Email: bob.doyle@alaska.gov

Signature: 
Bob Pickett (May 4, 2023 11:10 AKDT)

Email: bob.pickett@alaska.gov

Signature: Janis W. Wilson
Janis W. Wilson (May 4, 2023 11:17 AKDT)

Email: janis.wilson@alaska.gov

RCA No. 18 Original Sheet No. 92.4

Canceling

Sheet No. 92.4



MATANUSKA ELECTRIC ASSOCIATION, INC.

ELECTRIC RELIABILITY ORGANIZATION CHARGE

A. Applicability

The rates in all filed rate schedules shall be subject to adjustment by the Electric Reliability Organization (ERO) Charge as set forth in Item E below.

B. ERO Charge

An ERO is a statutorily created entity responsible for developing and enforcing reliability standards and transmission and interconnection standards, as well as conducting integrated resource plans for the area in which it is certificated to operate by the Regulatory Commission of Alaska (Commission). The Association is a load serving entity located within the interconnected bulk electric system of the Alaska Railbelt and, pursuant to AS 42.05.760, the Association must participate in the ERO certificated for the Alaska Railbelt. Such participation requires the Association to also remit surcharges and other potential charges to fund the ERO's operations, the recovery of which is included as a separate passthrough charge on the Association's consumer bills. The Association has designated this charge as the "ERO Charge".

The ERO Charge per kilowatt-hour (kWh) shall be calculated as set forth in Item E below by applying the forward looking projected amount of ERO costs for a relevant period, divided by the Association's projected kWh sales for the same relevant period, plus a balancing account estimate per kWh.

C. ERO Charge Balancing Account

As part of the ERO Charge, the Association shall maintain an ERO Charge balancing account, the balance of which must be entered into the ERO Charge calculation. The balancing account will initially begin with a zero balance with subsequent balances thereafter reflecting the sum of monthly debit and credit entries described as follows:

- (1) A debit entry equal to the total of all ERO costs of the relevant month;
- (2) A credit entry to equal the ERO Charges billed to consumers during the relevant month;
- (3) Debit or credit entries for any accounting adjustments, including accruals reversals for entries described in (1) and (2) above for the relevant month.

D. Revisions to the ERO Charge

The Association shall compute the ERO Charge at least annually once an ERO's budget and surcharge has been approved by the Commission. The Association reserves the right to revise the ERO Charge more frequently, on its own motion as may be necessary, to adequately recover the ERO costs imposed on it. The Association may implement an ERO Charge revision without Commission approval, once the Commission has approved an ERO's surcharge. Not later than 15 days after implementing an ERO Charge, the Association shall submit a tariff filing seeking approval of the ERO Charge that was implemented and will include supporting information necessary to evidence the ERO Charge balances and costs in the computation. ERO Charge revisions that are implemented prior to Commission approval shall be subject to subsequent review and adjustment by the Commission.

Tariff Advice No. 548-18

Effective: April 1, 2023

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By: 
Anthony M. Izzo

Title: Chief Executive Officer

RCA No. 18 Original
Canceling
Sheet No. 92.5

Sheet No. 92.5



MATANUSKA ELECTRIC ASSOCIATION, INC.

ELECTRIC RELIABILITY ORGANIZATION CHARGE
(Continued)

E. Determination of Electric Reliability Organization (ERO) Charge (per kWh)

Projected ERO Costs Beginning April 1, 2023

(1) Railbelt Reliability Council (RRC) Costs

(1.10)	Projected MEA Share of RRC Operating Costs	\$388,083
(1.20)	Other Projected RRC- Related Costs	\$0
(1.30)	Total Projected RRC Costs	\$388,083
(1.40)	Projected Retail Sales (kWh)	544,740,000
(1.50)	ERO Charge Cost (per kWh)	\$0.00071

(2) ERO Balancing Account

(2.10)	Actual Balance as of December 31, 2021	\$0
(2.20)	Estimated Balance as of December 31, 2022	\$0
(2.30)	Balancing Account Estimate to be Recovered	\$0
(2.40)	Projected Retail Sales (kWh)	544,740,000
(2.50)	Balancing Account Estimate (per kWh)	\$0.00000

(3) Total ERO Charge to be Recovered:

(3.10)	ERO Charge Cost (per kWh)	\$0.00071
(3.20)	Balancing Account Estimate (per kWh)	\$0.00000
(3.30)	Total ERO Charge to be Recovered (per kWh)	\$0.00071

(4) ERO Charge (per kWh)

(4.10)	ERO Charge (per kWh)	\$0.00071
--------	----------------------	-----------

Tariff Advice No. TA548-18 Effective April 1, 2023

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By: 
Anthony M. Izzo

Title: Chief Executive Officer